

**INDIANA ARTS COMMISSION
CULTURAL TRUST ADMINISTRATIVE BOARD**

REPORT TO THE INDIANA GENERAL ASSEMBLY

SUBMITTED OCTOBER 24, 2005

To:

The Honorable Representative Brian Bosma; The Honorable Senator Robert Garton
Honorable Members of the Indiana General Assembly,

The Indiana Arts Commission Cultural Trust Administrative Board, created in 1997 by legislation (IC 4-23-2.5) through House Enrolled Act 1358, respectfully submits the following report on the activities of the Indiana Arts Commission's Cultural Trust Administrative Board.

STRUCTURE OF THE CULTURAL TRUST ADMINISTRATIVE BOARD

By statute, this Administrative Board consists of seven voting members including three appointees by the Governor who are not members of the Indiana Arts Commission, three appointees from the Indiana Arts Commission, and the State Treasurer or designee from the Treasurer's Office.

The board currently is comprised of the following members:

Joan F. David, Evansville; chair (IAC appointment)

Richard Stifel, South Bend (IAC appointment)

Judith Hess, Corydon (IAC appointment)

Michael Quinn, Indianapolis (Governor's appointment)

L. Gene Tanner, Indianapolis (Governor's appointment)

Claude Johnson, Crawfordsville (Governor's appointment)

Mike Frick, Indianapolis (State Treasurer's Office appointment)

CULTURAL TRUST ADMINISTRATIVE BOARD COMMITTEE CHARGE

Purpose

The Indiana Arts Commission Cultural Trust Administrative Board is one of the primary standing committees of the Indiana Arts Commission. The function of this Board is stipulated by House Enrolled Act 1358. The Board's purpose is to provide oversight and guidance in the development and administration of the IAC's Cultural Trust Fund, including the development and implementation of investment strategies for the Cultural Trust Fund.

Committee membership

The Cultural Trust Administrative Board is comprised of seven members. Three members of the Board, including the board chairman, are appointed by the Chairman of the IAC. Three members of the Board are appointed by the governor. The final member of the Board is the State Treasurer, or a designee of the treasurer. The Chairman of the Indiana Arts Commission will appoint as Board chairman a current member of the Commission with experience in and / or knowledge of issues pertaining to finance, investments or banking. Each member of the Board will serve a two year term which expires on July 1 of the second year following the member's appointment.

Board responsibilities

As stipulated in House Enrolled Act 1358, the Cultural Trust Fund Administrative Board is charged with managing and developing the fund and the assets of the fund. The Board shall:

- Establish a policy for the investment of assets of the fund
- Acquire money for the fund through the solicitation of private or public donations and other revenue producing activities
- Perform other tasks consistent with prudent management and development of the fund
- Before October of each year, the board shall prepare a report concerning the fund for distribution to the public and General Assembly

Subject to the investment policy established by the Cultural Trust Fund Board, the Treasurer of the State shall administer the fund and invest the money in the fund. The Commission has the sole authority to allocate money from the fund to arts providers in Indiana. The Commission may not use the money from the fund to purchase land or structures.

Board meetings

The Board shall conform to all current Commission policies and procedures related to Commission and Committee meetings. A simple majority of four Board members shall constitute a quorum. The IAC Executive Director or his / her designee will staff the Board meetings.

In the interest of effective use of meeting time, the Cultural Trust Fund Administrative Board will also observe consent agenda voting on items of routine business (e.g. approval of agendas, minutes, etc.). Consent agenda items will be posted on the IAC website:

(www.IN.gov/arts) prior to the meeting date. Board members should review and make recommendations for changes as needed prior to the meeting.

The number of meetings will be determined by the Board as needed to conduct its duties effectively **with a minimum of two meetings held each year.**

Background of the Cultural Trust

The concept for Indiana's Cultural Trust Fund resulted from federal budget cuts in 1995 that resulted in significant reduction in annual appropriations to the IAC from the National Endowment for the Arts. The Commission looked at examples of cultural trust funds in other states as a means to develop over time a more stable cultural funding source less influenced by federal budget changes.

The concept was to provide a dedicated fund that could accept direct contributions from individuals, corporations, foundations, trusts, and other sources both private and public. Contributions made to the fund would be invested by the State and interest income earned from those investments would come back to the IAC to be used to augment state and federal appropriations for arts programming and services.

Background on the Enabling Legislation

Through the efforts of Commissioner Hurley Goodall, a former state legislator, draft legislation was prepared in 1996 and introduced for the 1997 legislative session. Authored by Rep. Sheila Klinker (D-Lafayette), Rep. Sue Scholer (R-West Lafayette) and Rep. Tiny Adams (D-Muncie), HB1548 outlined the Cultural Trust Fund, how it would be developed, and the method for management of the Trust by an Administrative Board. The initial funding mechanism would be a special issue license plate. Other unspecified funding sources were permitted through the legislation. The bill was passed in the House 98 to 1.

During Senate deliberation, the Bureau of Motor Vehicles offered an amendment to the bill regarding the establishment of minimum sales quotas for special issue license plates. A number of veterans' groups opposed the amendment due to concerns over possibly elimination of a veterans-related plate. On the advice of the bill's Senate sponsor, the language regarding the Arts Trust license plate was removed from the bill. The Senate passed the bill unanimously, but the legislation contained no specific funding source.

The Cultural Trust Fund legislation was passed as House Enrolled Act 1358 and was signed into law by the late Governor Frank O'Bannon.

Initial Funding Source and Fund-Raising Efforts

In 1998, the initial funding mechanism for the Cultural Trust Fund was established when House Bill 1145 was passed into law. The bill established 11 new special issue license plates in the state, including one identified as the Arts Trust plate. The sale of each license plate would result in a \$25 contribution to the Cultural Trust Fund. The license plate fees for the Arts Trust plate are collected from the Bureau of Motor Vehicles and directed to the Auditor's Office for the Cultural Trust Fund.

The Indiana Arts Commission also made a preliminary presentation to The Lilly Endowment regarding a direct contribution to the Cultural Trust Fund to match anticipated state funds. At that point, it was brought to the attention of the Commission that the enabling legislation contains a significant hurdle to encouraging private contributions. That hurdle is in the form of the \$50 million threshold amount the Trust has to achieve before triggering annual interest disbursements for the Arts Commission to direct toward arts programming.

Background on the Arts Trust License Plate

The Arts Trust license plate joined Indiana's special issue plate market in March 2000 selling 743 units during that first year and generating \$18,575 toward the Cultural Trust Fund.

With a BMV imposed moratorium on point of purchase marketing, and with minimal IAC resources for additional marketing strategies, the Arts Commission launched a campaign to spread the word about the Arts Trust plate. Engaging arts organizations, performance and exhibition venues and arts related businesses in communities throughout Indiana, the Arts Commission distributed information brochures and key chains to potential plate customers. Color advertisements were also placed in *Arts Indiana* magazine, *NUVO News Weekly*, and grantee performance programs.

Since that first year of plate sales, the Arts Trust plate continues to be among the top 10 selling special issue plates out of nearly 50 such plates available in Indiana.

CULTURAL TRUST ADMINISTRATIVE BOARD ACTIVITY

The Indiana Arts Commission Cultural Trust Administrative Board began official meetings in February of 2005. Prior to this date, the Board had been inactive due to vacancies on the Board as the result of death and lateness of replacements and reappointments.

Since the first meeting, the Administrative Board has been very active developing three key strategies. The first task was to secure Arts Trust license plate revenue and monitor investment. The second strategy has been to develop a plan to modify the Cultural Trust Fund legislation, and the third was to develop and launch a fundraising campaign to augment revenue generated by the sales of Arts Trust license plates.

Investing Arts Trust revenue

The board quickly agreed with the State Treasurer's designee that revenue from the sale of Arts Trust license plates should have been invested from the moment the plates went on sale. However, because the Administrative Board was inactive due to vacancies and therefore had no quorum to act, no directive could be made to the State Treasurer's Office to invest these funds.

The first act of the Administrative Board in February of 2005 was to request the Treasurer's Office to invest those funds. Further, the State Treasurer's Office calculated the average interest earned since inception and credited interest earned back to the Arts Commission Cultural Trust Fund. The license plate revenue is now being invested on a regular basis with the most current rate of interest reported at 4.3% (August 2005)

Modification of Cultural Trust Legislation

Efforts to secure other private sector investment in the Cultural Trust has been hampered by language in the legislation requiring the Trust to achieve a corpus of \$50 million before the Indiana Arts Commission could access interest income. Most potential investors approached by the Arts Commission agreed such a threshold amount could not be achieved in the foreseeable future. In fact, the Arts Commission's own budget analyst estimated at the current rate of plate sales growth, it would take between 75 and 80 years to reach the \$50 million mark.

The Board further learned that the Cultural Trust legislation is the only trust legislation in the state that requires such a threshold be reached before the public invested funds can be used to serve the public. The Board agreed that not only is the \$50 million threshold a significant hurdle to corporate and private donors, it also represents a potential for bad publicity for the Arts Trust plate, the Cultural Trust, and the Indiana Arts Commission.

The Board met with one of the original authors of the bill, Rep. Sheila Klinker (D-Lafayette) and with Rep. Ralph Ayers (R-Chesterton) regarding their suggestions on how best to approach this problem. Through the advice of these two legislators, the board developed a plan for addressing this legislation problem in the upcoming session of the General Assembly.

While the Administrative Board made contacts with potential authors and sponsors of such legislation, the Indiana Arts Commission briefed legislative staff to Governor Daniels on the problem issues with the existing legislation. The Administrative Board recently learned that the Governor's Legislative Affairs Director has pledged given the IAC the green light to proceed with introduction of the legislation. Draft legislation is currently being developed.

Cultural Trust Fund Raising

The Administrative Board is in agreement that even with modification to the currently Cultural Trust Legislation, the only significant way to grow the trust and begin using the funds as intended is to develop a dynamic private and corporate fundraising effort.

The Board is currently discussing options for marketing and promoting such a campaign, and developing ideas for special fundraising events and opportunities such as a Cultural Trust Art Auction. These activities are all in the early development stage because of the emphasis placed upon changing the Cultural Trust legislation.

In Summary

The Indiana Arts Commission Cultural Trust Administrative Board is eager to begin development of programs to enhance cultural and educational opportunities related to the arts in Indiana. The public has invested their money in Arts Trust license plate purchases and their trust that their contributions will help advance the arts in our state. The Administrative Board is eager to fulfill their trust, and confident that with minor legislative changes and creative leadership the Indiana Arts Commission's Cultural Trust Fund will grow rapidly to provide programs and services to thousands of Hoosiers of all ages.

Respectfully submitted for your consideration,

A handwritten signature in blue ink that reads "Joan F. David". The script is cursive and fluid.

Joan F. David, Chair

A handwritten signature in blue ink that reads "Dorothy L. Ilgen". The script is cursive and fluid.

Dorothy L. Ilgen, Executive Director